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BEFORE THE ARIZONA CORPORATION COMMISSION

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SUSAN BITTER SMITH

Chairman

BOB STUMP

Commissioner

BOB BURNS

Commissioner

DOUG LITTLE

Commissioner

TOM FORESE

Commissioner

Arizona Corporation Commission

DOCKETED

MAR 20 2015

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AZ CORP COMMISSION  
DOCKET CONTROL

ORIGINAL

IN THE MATTER OF THE APPLICATION OF  
QWEST CORPORATION D/B/A  
CENTURYLINK-QC ("CENTURYLINK") TO  
CLASSIFY AND REGULATE RETAIL LOCAL  
EXCHANGE TELECOMMUNICATIONS  
SERVICES AS COMPETITIVE, AND TO  
CLASSIFY AND DEREGULATE CERTAIN  
SERVICES AS NON-ESSENTIAL

DOCKET NO. T-01051B-11-0378

CENTURYLINK'S SUBMISSION  
DEMONSTRATING CONTINUED  
COMPETITION FOR VOICE  
SERVICES, QUALIFYING FOR  
TERMINATION OF CONDITIONS  
ON COMPETITIVE  
CLASSIFICATION APPROVED IN  
DECISION NO. 73354

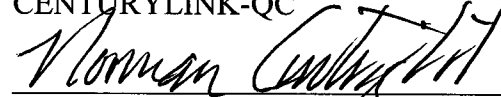
Notice of Filing Supplementary Information

On February 23, 2015, Qwest Corporation d/b/a CenturyLink QC ("CenturyLink"), pursuant to Arizona Corporation Commission ("Commission") Opinion and Order, Decision No. 73354, filed its submission, contemplated by Section 2.4 of the Settlement Agreement approved in Decision No. 73354, demonstrating that competition for voice services in Arizona is the same or greater than the levels CenturyLink's testimony and evidence claimed existed at the time of the filing of the Application in this docket. The Commission Staff has requested that CenturyLink address the discontinuation of the FCC's annual report on the percentage of telephone and cable customers who could have access to the Internet in the FCC's Internet Access Services Report. That percentage was one of the competition data points referenced in the Decision No. 73354. While the FCC's Internet Access Services Report no longer states the information previously provided, the 2014 Report provides data for actual Internet access

1 connections in Arizona by means of actual ADSL and cable modem connections. The  
2 substitution of actual broadband connections, as contained within the FCC report, was first noted  
3 by CenturyLink in its February 21, 2014 annual report filing with the Commission and was  
4 served on all parties to the docket. The Company pointed out the substitution of this data and the  
5 reason for it at that time. No party has filed any comments or objections in response to this  
6 action by CenturyLink. However, at this time Staff seeks additional clarification of why that  
7 data, which was submitted by CenturyLink in all of its subsequent filings, including its February  
8 23, 2015 submission, constitutes a reasonable data point for use in demonstrating that  
9 competition for voice services is the same or greater than it was when Decision No. 73354 was  
10 entered. The attached explanation is provided for that purpose.

11 RESPECTFULLY SUBMITTED, this 20<sup>th</sup> day of March, 2015.

12 QWEST CORPORATION d/b/a  
13 CENTURYLINK-QC



14 Norman G. Curtright  
15 Associate General Counsel  
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Telephone: (602) 630-2187


17 ORIGINAL and thirteen (13) copies filed  
18 this 20<sup>th</sup> day of March, 2015, with:

19 Docket Control  
20 ARIZONA CORPORATION COMMISSION  
1200 West Washington Street  
Phoenix, Arizona 85007

21 Copy of the foregoing sent via U.S. Mail  
22 this 20<sup>th</sup> day of March, 2015, to:

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## **Docket T-01051B-11-0378**

### **Discussion of Condition 2.4(c)**

In the final settlement approved by the Commission in Docket No. T-01051B-11-0378, the parties agreed to the following condition:

- 2.4 After the expiration of at least 30 months from the date of the Order Approving Settlement, CenturyLink may make an additional submission in this docket, demonstrating that competition for voice services in Arizona is the same or greater than the levels CenturyLink's testimony and evidence claim exist at the time of the filing of the Application in this docket. CenturyLink's additional submission shall be based on competitive reports, data and statistics, including but not limited to the National Center for Health Statistics Wireless Substitution Report, the Federal Communications Commission ("FCC") Local Competition Report, and the FCC Internet Access Services Report. CenturyLink in such filing shall demonstrate that:
- a. The percentage of consumers who have no landline voice connection, as specified in the National Center for Health Statistics Report, shall be 30% or greater;
  - b. Wireless connections, as set forth in the FCC's Local Competition Report, shall represent 65% or greater of total voice connections in Arizona, and
  - c. Access to VOIP providers shall be measured by xDSL broadband availability in Arizona, as set forth in the FCC Internet Access Services Report, and shall be 88% of households or greater.

Upon such a filing by CenturyLink and verification by Staff, the Signatories stipulate that the conditions set forth in paragraphs 2.2, 2.3, and 2.4 shall terminate six months after such filing. CenturyLink may thereafter file, in its discretion, requests for additional pricing flexibility pursuant to the streamlined ratemaking procedures of Rule 1110, and the other parties hereto reserve their rights to object to any filings under Rule 1110.

The purpose of condition 2.4 was to develop data showing changes in the competitive environment for the three years following the settlement.<sup>1</sup> First, the settling parties agreed that the data should demonstrate that the key sources of voice competition described in the docket—from wireless, CLEC/cable and Voice over Internet Protocol

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<sup>1</sup> If these measures showed that voice competition had not abated, conditions 2.2, 2.3 and 2.4 would terminate.

("VoIP") providers—did not decline over the three year period. Second, the settling parties agreed that the data should be publicly available and be derived from an objective source. In keeping with these objectives, the parties agreed to utilize data prepared by the FCC and the National Center for Health Statistics ("NCHS") that shows the impact of wireless, cable/CLEC and VoIP competition. The data in Part (a) is based on semi-annual NCHS reports showing the trends of customers "cutting the cord" and becoming "wireless only." This is designed to show the continuing impact of wireless competition. The data in Part (b) is based on the FCC's semi-annual Local Competition Report, and shows the share of voice connections that are wireless versus wireline. Like the data in Part (a), this data is designed to show the continuing impact of wireless competition (and also shows the impact of CLEC/cable competition). The data in Part (c) is based on the FCC's semi-annual Internet Access Services report, and shows the availability of DSL broadband connections over time. This data is designed to show the availability of VoIP services, since any customer with a broadband connection can purchase VoIP service from another carrier to compete with CenturyLink voice services. In the discussions leading up the final settlement, the parties discussed the fact that there was always the possibility that the FCC and NCHS reports could change, and that such a change would be addressed if it occurred.

In compliance with this condition, CenturyLink has been filing semi-annual reports addressing the conditions outlined in parts a, b and c above. The first report was filed in February 2013 and the last report was filed in February 2015. In each report, CenturyLink was able to provide the exact data defined for Parts (a) and (b), since the NCHS and FCC reports were issued every six months in the same format, with consistent data over the entire time period. However, with its December 2013 release, the FCC changed the format of the Internet Access Services Report, and no longer provided the metric that was agreed to be measured for Part (c) -- *the percent of xDSL availability for local telephone customers*. Therefore, since that metric was no longer available from this FCC report (or any other public report CenturyLink is aware of), CenturyLink was no longer able to provide the exact data defined in Part (c) of the settlement.

Fortunately, the FCC's Internet Access Report still offered a wealth of other information as to the availability of DSL and other broadband technologies. The report provides data on the number of actual DSL and other broadband connections in Arizona, which means that those customers are immediately positioned to buy VoIP. Therefore, CenturyLink was able to utilize a different metric from the FCC's report—*the number of ADSL (and cable modem) broadband connections in Arizona*—to show the availability of VoIP services, and to show how it increased over time.

In the semi-annual report provided to the Commission in February 2014, CenturyLink advised the Commission of the changes in the FCC report, and explained the need to move to this new metric to measure VoIP availability. In order for the Commission to be able to see trends over time, CenturyLink provided the ADSL and Cable Modem connections from the FCC's Internet Access Report for the years 2010 through 2012. CenturyLink received no objections to this change which was described in the February 2014 report. In the subsequent semi-annual reports filed in August 2014 and February 2015, CenturyLink provided the same data from more recent FCC reports.

In sum, CenturyLink was forced to modify the metric for Part (c) in 2014 because the original metric was no longer available from the FCC. However, the new metric provides a good substitute, since, like the original metric, it is publicly available and demonstrates the availability of broadband services in Arizona. These broadband connections can be used to offer competitive VoIP services that compete with CenturyLink voice services.